



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022**

Oregon Public Entity Excess Pool

Directors and Executive Director

As of June 30, 2023

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Oregon Public Entity Excess Pool

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Independent Auditor's Report

To the Board of Directors
Oregon Public Entity Excess Pool

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Oregon Public Entity Excess Pool (the "Pool") as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool as of June 30, 2023 and 2022 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Oregon Public Entity Excess Pool

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of claims development, as presented in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 21, 2023

Overview

The **Oregon Public Entity Excess Pool (OPEEP)** was formed March 27, 2015 by Clackamas County Oregon, Deschutes County Oregon, Washington County Oregon and the CIS Trust (CIS) under authority of ORS 30.282 by intergovernmental agreement pursuant to ORS 190.010 to provide, under a Board of Directors (the Board), administration of joint risk retention, risk management services and group purchasing of insurance and reinsurance. OPEEP currently operates a self-insurance program for tort liability in accordance with ORS 30.282.

The basic concept behind OPEEP is:

- Aggregate the needs of similar public entities to create economies of scale that reduce costs and increase benefits beyond those any one member can realize on its own.
- Collect a sufficient amount from members to pay for reinsurance, claims and expenses.
- Increase net position that allows OPEEP to achieve a level of self-insurance as surplus builds and the cost of reinsurance increases. Surplus net position also provides pricing stability and assurance that coverage will exist well into the future through reinsurance and risk retention.

OPEEP Market

Oregon "Public Bodies" as defined in ORS 30.260 (4) and public entity risk pools are eligible to participate in OPEEP coverage, programs, and services. As an excess pool, OPEEP's primary market is larger self-insured cities, counties, and other risk pools.

Financial Highlights

- As of June 30, 2023, total assets minus total liabilities (net position) are \$1,819,896 compared to \$1,377,332 as of June 30, 2022.
- Total assets include cash and cash equivalents of \$3,944,513 primarily invested in the State of Oregon Local Government Investment Pool.
- The change in net position for FY2023 was \$442,564 and includes net operating income of \$328,763 primarily due to increased member contributions adopted by the board and interest income of \$113,801. The change in net position for FY2022 was \$317,711 and includes net operating income of \$295,926 and interest income of \$21,785.

Assets, Liabilities and Net Position

As of June 30,

	2023	2022	2021
<u>ASSETS & DEFERRED OUTFLOWS</u>			
Cash and cash equivalents	\$ 3,944,513	\$ 3,511,367	\$ 4,121,977
Other current assets	34,333	33,705	-
Deferred outflows	-	-	-
Noncurrent assets	500,000	500,000	500,000
Total Assets & Deferred Outflows	<u>\$ 4,478,846</u>	<u>\$ 4,045,072</u>	<u>\$ 4,621,977</u>
<u>LIABILITIES & DEFERRED INFLOWS</u>			
Accounts payable & accrued liabilities	533,309	500,248	500,061
Claims liabilities - current portion	1,000,000	1,000,000	2,000,000
Claims liabilities - noncurrent	1,125,641	1,167,492	1,062,295
Deferred inflows	-	-	-
Total Liabilities & Deferred Inflows	<u>2,658,950</u>	<u>2,667,740</u>	<u>3,562,356</u>
NET POSITION -Unrestricted	<u>1,819,896</u>	<u>1,377,332</u>	<u>1,059,621</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 4,478,846</u>	<u>\$ 4,045,072</u>	<u>\$ 4,621,977</u>

Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>REVENUE</u>			
Member contributions	\$ 4,765,621	\$ 4,347,747	\$ 3,859,448
<u>EXPENSES</u>			
Provision for claims	958,149	1,105,197	788,087
Reinsurance premiums expense	3,302,296	2,804,572	2,769,739
General and administrative	176,413	142,052	141,307
Total Expenses	4,436,858	4,051,821	3,699,133
Net Operating Revenue	328,763	295,926	160,315
Investment income	113,801	21,785	31,913
Change in Net Position	442,564	317,711	192,228
Net Position - beginning of year	1,377,332	1,059,621	867,394
Net Position - end of year	<u>\$ 1,819,896</u>	<u>\$ 1,377,332</u>	<u>\$ 1,059,622</u>

Summary of Results

OPEEP administers excess self-insurance and reinsurance programs for the liability exposures of its members.

- Member contributions in FY2023 totaled \$4.8 million compared to \$4.3 million in FY2022.
- Interest income was \$113,801 in FY2023 versus \$21,785 in FY2022.
- Reinsurance expense was \$3.3 million and represents the bulk of cash expenditures in FY2023. Reinsurance expense was \$2.8 million in FY2022.
- FY2023 provision for claims of \$958,149 is \$147,048 less than the prior year, relates to the provision for covered events of both current and prior years, and includes adjustments resulting from the annual actuarial study. Additional details are found in the Notes to the Financial Statements.
- General and administrative expenditures in FY2023 totaled \$176,413 compared to \$142,052 in FY2022. The majority of these expenses represent accounting and administrative support provided to OPEEP by CIS under arrangements with the OPEEP Administrator.

Description of Current Facts and Conditions that have a Significant Effect on Operations

The Board balances the fiscal strength of OPEEP with member needs and continuing budgetary pressure. Fiscal strength provides OPEEP options that directly benefit members. As OPEEP members collectively own the net position, funds can only be used to their benefit. The OPEEP Board sets rates for excess liability programs with a goal of member stability, while simultaneously protecting the capital position of OPEEP in order to assure coverage and stability well into the future. The Board determines the appropriate amount and time for the pool to retain risk of loss.

OPEEP operates in an environment dependent on various external markets including investments, reinsurance, commercial insurance, and international financing networks that enable high limit coverage. Consumer markets such as services required to indemnify property and casualty claimants also closely impact the experience of OPEEP members and therefore, rates. It can be reasonably expected that OPEEP rate levels will be impacted by the same economic realities that face OPEEP's business partners.

Legislative and ballot measure activity influence claims activity and members' exposure to liability. OPEEP provides broad coverage for tort claims and federal civil rights claims. Unlike Oregon tort claims, there are no caps on awards in federal cases, and the prevailing party often can be awarded legal fees as well as damages. Also, different than many commercial insurance policies, OPEEP covers awards of back pay and so-called "front pay". This coverage protects the member but can result in very high payouts when the member is found to have liability.

Certain external influences will impact OPEEP:

- The reinsurance market for local government remains challenging. Reinsurers/insurers point to nuclear verdicts related to police excess force claims, employment claims, and jail claims as the driving forces. In FY 2023-24, the OPEEP Board added a second reinsurance partner to provide stability and capacity. After the members retention, OPEEP retains \$1,000,000 annual aggregate. Limits up to \$20,000,000 are available for members.
- Oregon Tort Claims Act Revisions: Statutory cap on damages in tort liability claims limits for cities and counties are adjusted for inflation each year by the Office of the State Court Administrator. Effective July 1, 2023, the cap for personal injury increased to \$830,300 per claimant and \$1,660,000 per occurrence. These amounts apply to all causes of action arising on or after July 1, 2023, and before July 1, 2024.
- Cyber liability continues to emerge as a growing risk along with the expansion of technology itself. OPEEP continues to modify and enhance coverage to protect members from data security issues and other liabilities derived from cyber activity.
- No coverage changes were proposed in FY 2023-24.

Description of the Basic Financial Statements

The *Statement of Net Position* provides information on all OPEEP assets and liabilities, with the difference reported as net position. Net position may be an indicator of the overall OPEEP financial condition. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing total revenue and expense and the resulting effect on net position. The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year.

Oregon Public Entity Excess Pool

Statement of Net Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,944,513	\$ 3,511,367
Prepaid expenses	34,333	33,705
Total current assets	3,978,846	3,545,072
Noncurrent assets - Deposits	500,000	500,000
Total assets	4,478,846	4,045,072
Liabilities		
Current liabilities:		
Accounts payable - Related party (Note 6)	33,309	-
Unpaid losses and loss adjustment expenses - Current portion (Note 4)	1,000,000	1,000,000
Accrued liabilities and other	-	248
Total current liabilities	1,033,309	1,000,248
Noncurrent liabilities:		
Accounts payable - Related party (Note 6)	500,000	500,000
Unpaid losses and loss adjustment expenses - Long term (Note 4)	1,125,641	1,167,492
Total noncurrent liabilities	1,625,641	1,667,492
Total liabilities	2,658,950	2,667,740
Net Position - Unrestricted	\$ 1,819,896	\$ 1,377,332

Oregon Public Entity Excess Pool

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenue - Member contributions	\$ 4,765,621	\$ 4,347,747
Operating Expenses		
Provision for claims (Note 4)	958,149	1,105,197
Reinsurance premiums expense	3,302,296	2,804,572
General and administrative	176,413	142,052
Total operating expenses	4,436,858	4,051,821
Operating Income	328,763	295,926
Nonoperating Revenue - Interest income	113,801	21,785
Change in Net Position	442,564	317,711
Net Position - Beginning of year	1,377,332	1,059,621
Net Position - End of year	<u>\$ 1,819,896</u>	<u>\$ 1,377,332</u>

Oregon Public Entity Excess Pool

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from members	\$ 4,765,621	\$ 4,347,747
Claims paid	(1,000,000)	(2,000,000)
Reinsurance paid	(3,302,296)	(2,804,572)
General and administrative expenses paid	(143,980)	(175,570)
Net cash provided by (used in) operating activities	319,345	(632,395)
Cash Flows Provided by Investing Activities - Interest income	113,801	21,785
Net Increase (Decrease) in Cash and Cash Equivalents	433,146	(610,610)
Cash and Cash Equivalents - Beginning of year	3,511,367	4,121,977
Cash and Cash Equivalents - End of year	<u><u>\$ 3,944,513</u></u>	<u><u>\$ 3,511,367</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 328,763	\$ 295,926
Adjustments to reconcile operating income to net cash from operating activities:		
Changes in assets and liabilities:		
Prepaid expenses	(628)	(33,705)
Unpaid losses and loss adjustment expenses	(41,851)	(894,803)
Accounts payable, accrued liabilities, and other	33,061	187
Total adjustments	(9,418)	(928,321)
Net cash provided by (used in) operating activities	<u><u>\$ 319,345</u></u>	<u><u>\$ (632,395)</u></u>

June 30, 2023 and 2022

Note 1 - Nature of Business

Oregon Public Entity Excess Pool (the "Pool" or OPEEP) was established on March 27, 2015 by its founding members, Clackamas County, Oregon; Deschutes County, Oregon; Washington County, Oregon; and CIS Trust (CIS), under authority of ORS 30.282 by an intergovernmental agreement pursuant to ORS 190.010 to provide joint self-insurance and risk-management services. OPEEP is both a public body and a public corporation under Oregon law.

ORS 30.282 regulations (as further clarified in OAR 836-011) require the Pool to maintain an unallocated reserve (surplus) account equal to the greater of 25 percent of annual contributions, or \$250,000. The unallocated reserve account is defined in OAR 836-011 as the amount that total assets exceed total liabilities, and annual contributions are total contributions paid less any premium collected to procure insurance of any kind. As of June 30, 2023, the required minimum ORS 30.282 unallocated reserve is \$365,831.

Note 2 - Significant Accounting Policies

Reporting Entity

The OPEEP reporting entity includes all activities (operations of its administrator, contracted services, and the board) as they relate to the Pool. OPEEP has determined that no other outside entity meets the above criteria, and, therefore, no agency has been included as a component unit in these financial statements. In addition, OPEEP is not aware of any entity that would exercise such oversight responsibility that would result in OPEEP being considered a component unit of that entity. In determining its reporting entity, OPEEP considered all governmental units that were members of OPEEP since inception. The criteria did not require the inclusion of these entities in their financial statements principally because OPEEP does not exercise oversight responsibility over any members.

Basis of Accounting

The financial statements of the Pool have been prepared in conformity with generally accepted accounting principles (GAAP) applied to governmental insurance pools. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The accompanying financial statements are prepared on the economic resources measurement focus and accrual basis of accounting in conformity with GAAP. Under this method, revenue from contributions and interest is recognized when earned, and expenses are recognized when goods or services have been received, except when a premium deficiency exists where unearned premiums are recognized currently. The Pool considers anticipated investment income in determining if a premium deficiency exists. Operating revenue includes member contributions and fees, which are an integral part of the operations and financing of the covered risks and activities.

Cash and Cash Equivalents

The Pool considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include bank deposits and deposits in the State of Oregon Local Government Investment Pool (LGIP). The carrying amount for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and loss adjustment expenses are stated gross of reinsurance ceded and include case reserve estimates for reported losses and loss adjustment expenses plus estimates for losses and loss adjustment expenses incurred but not reported. Amounts recoverable from reinsurers are estimated in a manner consistent with the loss liability associated with the reinsured business.

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Management believes that the liability for losses and loss adjustment expenses is appropriately established in the aggregate and makes a reasonable provision to cover the ultimate cost of reported and unreported claims arising from losses. Such liabilities are based on estimates, and the ultimate net cost may vary materially from such estimates. These estimates are regularly reviewed and updated using the most current information available. Any resulting adjustments are reflected in operations in the period the need for such adjustments becomes apparent.

Estimates for losses and loss adjustment expenses are derived using various actuarial estimation methods, which consider several factors, including line of business, the number of years of experience, and the age of the experience year being developed. Loss development methods utilize paid and incurred loss experience to produce estimates of ultimate paid loss and incurred loss projections. Another method relies on a reported claim count development analysis and computes the ultimate loss as the product of ultimate claim counts and ultimate claim severities. The Bornhuetter-Ferguson technique estimates the ultimate loss using a combination of expected losses and loss development techniques.

Reinsurance

The Pool reinsures portions of certain insurance policies it writes, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Pool remains contingently at risk with respect to any reinsurance ceded and would incur an additional loss if an assuming company were unable to meet its obligation under the reinsurance agreements.

Ceded reinsurance premiums are recognized on the same basis as the premiums are earned on the underlying insurance contracts.

Member Contributions

Contributions are recorded as revenue when earned over the term of the related insurance policies. Any advance payment of insurance-related policies for coverage after June 30 is considered an unearned contribution. Retrospective premiums, subject to various limitations and conditions, may be assessed by members of OPEEP in the event a single loss or series of losses should exceed the remaining unexpended balance of premiums paid by members plus any investment income, gains, or other income derived therefrom. Supplemental assessments are recognized as income in the period assessed. Contribution development for OPEEP is performed using, among other items, loss estimates analysis and expected reinsurance costs. Contribution income consists of payments that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from joint self-insurance programs, and operating expenses.

Income Taxes

OPEEP is an intergovernmental entity established pursuant to ORS 190 and is not subject to state income tax. This statute allows OPEEP members to provide joint funding for a broad array of risk-management and self-insurance services; as such, it is not subject to federal income tax under Internal Revenue Code Section 115.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are related to unpaid losses and loss adjustment expenses.

June 30, 2023 and 2022

Note 3 - Deposits and Investments

Cash and cash equivalents consisted of the following as of June 30:

	2023	2022
Cash on hand and in bank	\$ 33,991	\$ 33,389
Cash in pooled funds (LGIP)	3,910,522	3,477,978
Total cash and cash equivalents	<u>\$ 3,944,513</u>	<u>\$ 3,511,367</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pool's deposits may not be returned to it. OPEEP maintains deposits in accordance with ORS 295, which requires that deposit accounts in excess of federal depository insurance limits be maintained only at qualified financial institutions identified by the Oregon State Treasurer. OPEEP deposits not covered by federal depository insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. PFCP is a shared liability structure for participating bank depositories, better protecting public funds but still not guaranteeing that all funds are 100 percent protected. A bank depository is required to pledge eligible securities with collateral valued in amounts determined by the Oregon State Treasurer.

State of Oregon Local Government Investment Pool

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool is a part. Participation by local governments in the OSTF is voluntary. OSTF investments are regulated by ORS 294, the Oregon Investment Council, and portfolio guidelines issued by the Oregon Short Term Fund board. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill, and caution. The LGIP was created to offer a short-term investment alternative to Oregon local governments, and it is not registered with the U.S. Securities and Exchange Commission. At June 30, 2023 and 2022, the fair value of the Pool's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us>.

Note 4 - Unpaid Losses and Loss Adjustment Expenses

OPEEP establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. Effective July 1, 2017, OPEEP entered into a financial arrangement with its reinsurer in which the reinsurer will recover from OPEEP the initial \$1 million aggregate layer of claims payments for each coverage year. Prior to July 1, 2017, OPEEP was fully insured for all claims exposures through reinsurance, and there were no excess liability claims reported by the Pool's members.

June 30, 2023 and 2022

Note 4 - Unpaid Losses and Loss Adjustment Expenses (Continued)

The following summarizes activity in the liability for unpaid losses and loss adjustment expenses as of June 30, 2023, 2022, and 2021:

	2023	2022	2021
Net unpaid losses and loss adjustment expenses - Beginning of fiscal year	\$ 2,167,492	\$ 3,062,295	\$ 2,274,208
Incurring losses and loss adjustment expenses:			
Provision for insured events of the current fiscal year	1,166,056	1,202,911	1,121,650
Change in provision for insured events of prior fiscal years	(207,907)	(97,714)	(333,563)
Total incurred	958,149	1,105,197	788,087
Payments:			
Losses and loss adjustment expenses attributable to insurance events of the current fiscal year	-	-	-
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	1,000,000	2,000,000	-
Total paid	1,000,000	2,000,000	-
Net unpaid losses and loss adjustment expenses - End of fiscal year	\$ 2,125,641	\$ 2,167,492	\$ 3,062,295

For the years ended June 30, 2023, 2022, and 2021, the estimates of the claims incurred but not reported as of those dates were actuarially determined and are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. The unpaid losses and loss adjustment expenses are presented at present value using a discount rate of 1.5 percent for 2023, 2022, and 2021.

As a result of changes to estimates for incurred losses and loss adjustment expenses attributable to insured events of prior years, the provision for losses and loss adjustment expenses decreased in 2023, 2022, and 2021 due to reestimation of estimated future payment amounts.

Note 5 - Reinsurance Agreements

OPEEP was established to provide members with a risk-sharing pool for excess liability. OPEEP limits its risk retention on each policy issued through reinsurance and uses reinsurance to reduce its exposure to loss.

Under general liability reinsurance agreements, members retain the first \$1,000,000 of each of their general liability occurrences, OPEEP retains \$1,000,000 annual aggregate, and the reinsurance funds the next \$9,000,000 of each occurrence. Effective July 1, 2021, CIS increased its retention to the first \$2,000,000 of each of its general liability occurrences.

Under employers' liability reinsurance (workers' compensation coverage b), members retain the first \$1,000,000 of each of their employers' liability occurrences (except for CIS, which retains the first \$3,000,000), and reinsurance funds the next \$2,000,000 of each occurrence.

In addition, OPEEP has entered into a cyber quota share reinsurance agreement that is fully ceded. Members retain the first \$250,000 of each occurrence. The maximum coverage is \$1,000,000 for each occurrence and \$5,000,000 in the aggregate.

June 30, 2023 and 2022

Note 5 - Reinsurance Agreements (Continued)

Reinsurance premiums ceded to excess reinsurers totaled \$3,302,296 and \$2,804,572 in 2023 and 2022, respectively. As of June 30, 2023 and 2022, there are no reinsurance recovery receivables under the reinsurance agreements, as all excess claims paid in 2023 and 2022 by OPEEP were reimbursed by excess reinsurers.

Note 6 - Related Party Transactions

CIS is a participating and founding member of OPEEP. A CIS employee is a member of OPEEP's board. A different CIS employee is the administrator of OPEEP, subject to the general supervision and policy direction of OPEEP's board and executive committee. OPEEP has entered into a management services agreement with CIS that originally expired on October 15, 2021. The contract was renewed in May 2021 for a five-year period, expiring on June 30, 2026. Under the terms of the management services agreement, OPEEP paid CIS \$123,969 and \$113,974 in 2023 and 2022, respectively. As of June 30, 2023, OPEEP owed CIS \$33,309. There were no amounts due to CIS at June 30, 2022.

Total program contributions received from CIS were \$3,293,762 and \$3,291,606 in 2023 and 2022, respectively. CIS paid a reinsurance deposit on behalf of OPEEP; accordingly, OPEEP has recorded a \$500,000 payable to CIS, which is due upon return of the deposit from the reinsurer.

Required Supplementary Information

June 30, 2023

Claims Development Information

The table on the following page illustrates how the Pool earned revenue (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the last seven years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Pool, including overhead and claims expense not allocable to individual claims.
3. This line shows the Pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Oregon Public Entity Excess Pool

Required Supplementary Information Schedule of Claims Development (Continued)

June 30, 2023

	Policy Year Ended June 30	2016	2017	2018	2019	2020	2021	2022	2023
1.	Required contributions and investment income:								
	Earned	\$ 1,706,726	\$ 1,821,400	\$ 2,404,867	\$ 2,561,888	\$ 2,863,531	\$ 3,891,361	\$ 4,369,532	\$ 4,879,422
	Ceded	1,571,234	1,697,571	1,076,149	1,261,459	1,523,752	2,769,739	2,804,572	3,302,296
	Net	135,492	123,829	1,328,718	1,300,429	1,339,779	1,121,622	1,564,960	1,577,126
2.	Unallocated expenses	106,006	108,798	122,178	132,789	130,073	141,307	142,502	176,413
3.	Estimated claims and allocated claim adjustment expenses - End of policy year:								
	Incurred	-	-	1,425,324	3,381,677	4,746,402	3,292,122	2,396,864	2,757,746
	Ceded	-	-	323,174	2,246,797	3,443,572	2,170,472	1,193,953	1,591,690
	Net	-	-	1,102,150	1,134,880	1,302,830	1,121,650	1,202,911	1,166,056
4.	Cumulative paid claims and allocated claim adjustment expenses:								
	End of policy year	-	-	-	-	-	-	-	-
	One year later	-	-	-	1,000,000	-	-	-	-
	Two years later	-	-	-	1,000,000	1,000,000	1,000,000	-	-
	Three years later	-	-	-	1,000,000	1,000,000	-	-	-
	Four years later	-	-	1,000,000	1,000,000	-	-	-	-
	Five years later	-	-	1,000,000	-	-	-	-	-
	Six years later	-	-	-	-	-	-	-	-
	Seven years later	-	-	-	-	-	-	-	-
	Eight years later	-	-	-	-	-	-	-	-
	Nine years later	-	-	-	-	-	-	-	-
5.	Reestimated ceded claims and expenses	1,109,114	686,504	747,093	7,223,516	3,736,998	3,648,651	929,839	1,591,690
6.	Reestimated incurred claims and allocated claim adjustment expenses:								
	End of policy year	-	-	1,102,150	1,134,880	1,302,830	1,121,650	1,202,911	1,166,056
	One year later	-	-	964,986	1,000,000	966,814	964,581	959,585	-
	Two years later	-	-	971,378	1,000,000	1,000,000	1,000,000	-	-
	Three years later	-	-	973,831	1,000,000	1,000,000	-	-	-
	Four years later	-	-	1,000,000	1,000,000	-	-	-	-
	Five years later	-	-	1,000,000	-	-	-	-	-
	Six years later	-	-	-	-	-	-	-	-
	Seven years later	-	-	-	-	-	-	-	-
	Eight years later	-	-	-	-	-	-	-	-
	Nine years later	-	-	-	-	-	-	-	-
7.	Change in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	-	-	(102,150)	(134,880)	(302,830)	(121,650)	(243,326)	-

During the year ended June 30, 2021, the Pool revised its methodology for allocating the unallocated loss adjustment expense liability. As a result, lines 3 and 6 have been updated accordingly.

Other Supplementary Information

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Oregon Public Entity Excess Pool

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Public Entity Excess Pool (the "Pool"), which comprise the basic financial statements as of and for the year ended June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or under the provisions of Oregon Administrative Rules 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

To Management and the Board of Directors
Oregon Public Entity Excess Pool

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

December 21, 2023